

**PHILADELPHIA INDEMNITY
INSURANCE COMPANY,**

VS.

Case No. 18-CV-987-NJR-RJD

**SPECIALTY CONTRACTING, INC.,
JONATHON GOOD, and
SHANNON GOOD,**

Defendants.

Page 1 of 3

11 U.S.C.A. § 362; see *Pitts v. Unarco Indus., Inc.*, 698 F.2d 313, 314 (7th Cir. 1983); see also *In re Koop*, No. 00 B 24471, 2002 WL 1046700, at *3 (Bankr. N.D. Ill. May 23, 2002) (“The automatic stay is designed to provide the debtor with a respite and preserve the assets of the estate for the benefit of the creditors; it is not designed to afford collateral benefits to non-debtor parties involved in litigation with the debtor.”).

There are exceptions, however, to the general rule. See *In re Fernstrom Storage & Van Co.*, 938 F.2d 731, 736 (7th Cir. 1991); *Matter of James Wilson Assoc.*, 965 F.2d 160, 170 (7th Cir. 1992) (holding that automatic stay does not operate in favor of nonbankrupt codefendants, but that there may be an exception where bankrupt defendant is an indispensable party). The Seventh Circuit is among the many circuits that have recognized the following two exceptions: (1) where there is such identity between the debtor and third-party defendant where a judgment against the third-party defendant will in effect be a judgment against the debtor, and (2) where the pending litigation, though not brought against the debtor, would cause the debtor irreparable harm. *In re Fernstrom*, 938 F.2d at 736 (citations omitted). Application of these exceptions is rare and is reserved for “unusual circumstances.” 2 Bankruptcy Litigation § 12:13; *A.H. Robins Co. v. Piccinin*, 788 F.2d 994, 999 (4th Cir. 1986).

No one has argued that any exception applies here. In fact, Defendants did not even respond to the Court’s October 15th Order, despite being ordered to respond. Thus, the Court sees no reason to extend the bankruptcy stay to Defendant Specialty Contracting, Inc. See, e.g., *555 M Mfg., Inc. v. Calvin Klein, Inc.*, 13 F. Supp. 2d 719, 721-22 (N.D. Ill. 1998) (district court refused to extend the automatic stay, in part because debtor

did not request a stay and Bankruptcy Court did not order a stay, noting they are in a better position to determine whether a stay is necessary).

Accordingly, the case is **STAYED** as to the Good Defendants only, pending the resolution of the bankruptcy proceeding. Plaintiff and the Good Defendants are **DIRECTED** to provide a status report on or before **September 27, 2019**, advising the Court as to any developments in the bankruptcy case and whether the stay should be continued or terminated at that time. Plaintiff and the Good Defendants shall notify the Court when the bankruptcy proceeding is completed. **This case will proceed as to Defendant Specialty Contracting, Inc.**

IT IS SO ORDERED.

DATED: March 27, 2019

A handwritten signature in cursive script, reading "Nancy J. Rosenstengel". The signature is written in black ink and is positioned above a horizontal line.

NANCY J. ROSENSTENGEL
United States District Judge